



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

February 2, 2010

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Expiration : February 2, 2011
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MEMORANDUM FOR DIRECTOR, COLLECTION AREA OPERATIONS
(GULF STATES)
DIRECTOR, COLLECTION AREA OPERATIONS
(SOUTH ATLANTIC)
DIRECTOR, COLLECTION AREA OPERATIONS
(CALIFORNIA)
DIRECTOR, CAMPUS COMPLIANCE OPERATIONS
(BROOKHAVEN)
DIRECTOR, CAMPUS COMPLIANCE OPERATIONS
(MEMPHIS)

FROM: Frederick W. Schindler /s/ **Frederick W. Schindler**
Director, Collection Policy

SUBJECT: Interim Guidance for Low Income Processability Procedures

This purpose of this memorandum is to reissue interim guidance dated February 2, 2009, with control number SBSE-05-0209-005 titled, Interim Guidance for Low Income Processability Procedures. This memorandum also provides updated criteria for the IRS Low Income Guidelines. Please disseminate this information to all affected personnel within your organization.

Current IRM procedures require any OIC received without the Form 656-A, Income Certification for Offer in Compromise Application Fee and Payment, and without the application fee and/or the required TIPRA payment to be returned as not processable, regardless of the income reported on the Form 433-A, Collection Information Statement.

The revised procedures will require a review of the Form 433-A on any offer that is received without a Form 656-A and meets the following criteria:

- No application fee **or** no TIPRA payment,
- No application fee **and** no TIPRA payment,

- Less than the required TIPRA periodic or deferred payment **and/or** application fee

If, based upon the review, the offer meets IRS Low Income Guidelines as defined in Form 656, the offer will be considered processable and will be treated as if the Form 656-A had been included with the OIC.

Procedures

(1) Upon receipt of an offer meeting the criteria defined above, the only processability criteria that will apply is bankruptcy. If the taxpayer is in bankruptcy, the offer will be returned immediately as not processable.

(2) Loading the case on AOIC and processing payments. *Note: Payments will be posted to the taxpayer's liability(s) unless applied to the 4710 account.*

- If the offer is received with no payment and no 656-A, indicate "Y" (Yes) for the waiver and "LI" for the type. This action will suppress the prompt for payment information.
- If the offer is received with \$150 or more, indicate "N" (No) for the waiver, input the offer as a "Lump Sum", apply \$150 as the application fee using DPC 33 and the balance to the 20% TIPRA payment using DPC 34. Generate the Form 3244 and process the payment through RS-PCC.
- If the offer is received with \$150 or less, indicate "Y" (Yes) to the waiver and "LI" for the type. At that time you will be prompted for payment information. Generate the Form 2515 and post the payment to the 4710 account through PCC.

(3) A review of all offers will be conducted to identify if the case meets waiver criteria and will be based solely on the financial information provided by the taxpayer on the Form 433-A.

(4) The following Form 433-A information will be used to make a determination of eligibility for the low income waiver:

Form 433-A (Rev 5-2001)

- Section 1 *Personal Information*: Determine the total number of dependents claimed using Lines 2 and 6.
- Section 9 *Monthly Income and Expense Analysis*: Determine the monthly household income listed on Line 34 (Total Income)

Form 433-A (Rev.1-2008)

- Section 1 *Personal Information*: Determine the total number of dependents claimed using Lines 2b, 3a, and 3b.

- Section 4 *Personal Asset Information for All Individuals*: Determine the monthly household income listed on Line 32 (Gross Monthly Income).

Use the IRS Low Income Guidelines below to determine if the taxpayer's monthly income qualifies for waiver of the application fee and required TIPRA payment(s):

Size of Family Unit	48 Contiguous States and D.C.	Hawaii	Alaska
1	\$2,256	\$2,596	\$2,819
2	\$3,035	\$3,492	\$3,794
3	\$3,815	\$4,388	\$4,769
4	\$4,594	\$5,283	\$5,744
5	\$5,373	\$6,179	\$6,719
6	\$6,152	\$7,075	\$7,694
7	\$6,931	\$7,971	\$8,669
8	\$7,710	\$8,867	\$9,644
For each additional person add	\$779	\$896	\$975

Chart – Revised from Form 656-B (Revision 3-2009)

(4) If the information provided on the F433-A is insufficient to determine the taxpayer meets low income waiver criteria, return the offer as not processable. Follow procedures as defined in IRM 5.8.3.

(5) Once a determination has been made, follow the If/Then chart below to process the offer.

If...	Then...
The taxpayer qualifies for the waiver	Document the AOIC history and continue processing the offer per IRM 5.8.3. Update the OCC code on AOIC to "4".
The taxpayer does not qualify for the waiver	Document the AOIC history. Return the offer as not-processable. Change the processability code to "N". Follow the procedures in IRM 5.8.3.

If you have questions, please contact me or a member of your staff may contact Diane Morris. Territory personnel should direct any questions, through their management staff to the appropriate Area contact.

cc: National Taxpayer Advocate

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